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UNCLAS SECTION 01 OF 02 KINSHASA 001709

SIPDIS

E.O. 12958: N/A

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SUBJECT: ECONOMIC REPORT - SEPT 4 THROUGH SEPT 10

1. Summary. Prices and exchange rates remain relatively stable, with exchange rates showing signs of an impending slight increase. Public transportation prices have doubled in Lubumbashi due to higher gas prices and taxes. Zimtrade will hold a trade fair in Lubumbashi. RVF (river transportation authority) workers have ended their strike after RVF management agreed to pay a portion of their salary arrears in time to meet back-to-school expenses. SNEL plans to dredge the canals at Inga I and II to increase generating capacity. End Summary.

#### MONETARY AND PRICE UPDATE

2. Prices remain stable. Higher demand for pens, notebooks, etc. due to the start of the school season continues to have a slight effect on non-food item prices.

3. Although experiencing a slight depreciation, the Congolese Franc remains generally stable. The depreciation began in Kinshasa with the distribution of some lump-sum salary payments to civil servants. However, the most likely cause of the exchange rate movement is the increased activity in the exchange market due to the need to pay school fees and buy school supplies. Many Congolese who normally keep a mix of USD and FC have been purchasing dollars with DC, causing the slight depreciation.

#### TRANSPORTATION

##### 4. PUBLIC TRANSPORTATION PRICES RISE IN LUBUMBASHI

Local press reports that the cost of public transportation recently doubled in Lubumbashi, from FC 50 to FC 100. The price increase has been blamed on rising fuel costs due to market pressures and tax increases.

#### TRADE

##### ZIMTRADE TO HOLD TRADE FAIR IN LUBUMBASHI

5. Local press reports that the Zimbabwean trade authority, Zimtrade, will hold a trade fair in Lubumbashi at the end of September to showcase Zimbabwean products and attract potential buyers and investment partners. The fair will feature Zimbabwean manufacturers in the food and beverage, agricultural, pharmaceutical, construction, engineering, and mining sectors.

#### LABOR

##### RVF WORKERS END STRIKE

6. Local press reports that RVF (river transportation authority) workers have agreed to return to work after striking for several months. The workers had been striking to demand payment of salary arrears. RVF authorities resolved the dispute after agreeing to disburse money to cover the school fees of workers' children, and to pay salaries from January and February of 2004. RVF management also reportedly plans to organize a committee to lobby other GDRC agencies, ministries, and local businesses for payment of their debts to RVF.

##### WORLD BANK TO PAY OCPT WORKERS

7. The World Bank has agreed to pay USD 10.8 million in severance packages to retiring and voluntarily departing OCPT (post and telecommunications parastatal) workers. Approximately 3,000 workers are slated to be released by September 25th, 2004.

#### INFRASTRUCTURE

##### SNEL SOLICITS DREDGING FOR INGA I AND II

8. Local press reports that SNEL (electricity parastatal) is negotiating with private dredging firms to contract for the removal of 30,000 cubic meters of silt from the Inga I and II canals. SNEL has suffered

from shortages of generating capacity at the Inga hydroelectric complex due to low Congo River water levels, silting of the dams' intake canals, and equipment deterioration.

AID

#### JAPANESE FIRM TO BUILD HOSPITAL IN KINSHASA

19. Local press reports that the Japanese firm Tokoshukai plans to build a 600-bed hospital in Kinshasa. A delegation from the firm recently visited the DRC to survey proposed building sites.

#### 110. INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	8/13	8/20	8/27	9/03
FOOD	-2	0	7	0
BEVERAGE	0	0	0	0
NON-FOOD	0	-1	0	-1
CLOTHING	0	0	0	0
RENT	0	0	0	0
TRANSPORT	0	0	0	0
SCHOOL COSTS	0	0	0	0
UTILITIES	0	0	0	0
COMBINED FIGURES				
WEEKLY INFLATION	-0.6	0.0	2.6	0
MONTHLY INFLATION	-0.8	-0.8	1.7	0

#### 111. EXCHANGE RATE DEVELOPMENTS

	8/13	8/20	8/27	9/03
CENTRAL BANK RATE	390.175	390.594	392.045	396.0145
PARALLEL MARKET				
-KINSHASA	385-390	385-390	390-395	390-395
-LUBUMBASHI	380-385	380-390	380-390	380-385
-MBUJI MAYI	385-390	385-390	385-395	385-390
-KISANGANI	375-385	380-390	380-390	380-390
-GOMA	400-410	400-410	400-410	400-410
-BUKAVU	400-410	400-410	400-410	400-410

MEECE